

"Jim: A thoughtful piece of work. I have two gut questions:

- 1) Should we run by PMAB?
- 2) Is it not politic to let DDCI know what we are doing before he hears from other sources?

I vote for sending the attached to Inman with short note explaining what we are doing and why and we can--if he wishes--send periodic reports.

Ben"

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

C/PMCD
1016 Ames Bldg.

EXTENSION

NO.

DATE

24 JUN 1981

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. DD/PA&E
1006 Ames Bldg.

6/24

B

2.

3. EA/Pers
5E 58 Hqs.

PER

4.

5. DD/Pers
5E 58 Hqs.

6.

7. D/Pers
5E 58 Hqs.

- Jim: A thoughtful piece of work. I have

8.

2 gut questions:

1) Should we run by PMAB-

9.

2) Is it not possible to let DDC know what we are doing before we hear from other sources.

10.

11.

I note of sending the attached to Imman with short note

12.

explaining what we are doing + why + mission - if

13.

he wishes I send periodic reports

14.

15.

Attached for your review and comment is our concept paper on the "Development and Implementation of a Compensation Plan for the Central Intelligence Agency." We are prepared to discuss this with you at your convenience and, if acceptable, brief PMAB on the highlights.

In the meantime, we are taking a careful look at what existing resources we can devote to this effort and what additional outside recruiting is needed. We appreciate your support in this endeavor.

Please let us know when you are ready to discuss this matter.

DEVELOPMENT AND IMPLEMENTATION OF

A COMPENSATION PLAN FOR THE

CENTRAL INTELLIGENCE AGENCY

A CONCEPT PAPER

Position Management and Compensation Division

A COMPENSATION PLAN

FOR THE

CENTRAL INTELLIGENCE AGENCY

(CONCEPT PAPER)

- I STATEMENT OF PROBLEM
 - II SCOPE AND OBJECTIVES
 - III DEVELOPMENT METHODOLOGY
 - IV RECOMMENDED FEATURES AGREED UPON TO DATE
 - V ADDITIONAL FEATURES TO CONSIDER
 - VI SPECIAL PROBLEMS TO BE ANTICIPATED
 - VII UPDATING THE PLAN
- APPENDIX A PERT CHART FOR DEVELOPMENT AND IMPLEMENTATION OF
COMPENSATION PLAN

I. STATEMENT OF PROBLEM

Because of its unique mission, as recognized in enabling legislation, Congress saw fit to grant to the CIA a broad exemption from most regulatory controls of Government including the 1949 Classification Act (Title V). Each successive DCI has elected to administratively follow the spirit and intent of the "Act", and thus the GS Schedule, as a convenient means of classifying positions and compensating employees.

Although this system has worked reasonably well in the Agency for approximately 30 years, its viability is now being questioned, both externally and internally. Outside the Agency, separate task forces have developed recommendations for classification and pay reforms for "covered agencies" and partial legislation is now pending in Congress. Internally, the CIA Personnel Management Advisory Board has concluded that the OPM system in mandatory use for 1.8 million employees in "old line" agencies does not adequately serve the needs of our relatively small but carefully focused agency with a dynamic, quick-response intelligence mission and a highly selective, diversified, and well motivated work force.

Thus, the Personnel Management Advisory Board has requested the Director of Personnel to develop, for the consideration of Agency management, a special compensation plan. This requirement has been levied on the Position Management and Compensation Division.

II. SCOPE AND OBJECTIVES

The scope of the compensation plan would include all "white collar" positions, both domestically and overseas, at the GS-01 through GS-15 and SIS levels. Prevailing rate or "blue collar" positions presently included in the Federal Wage System (WG, WL, WS), lithographic (WI) positions and printing (GP and GA) positions would be excluded from the new schedule(s).

The broad objectives or parameters of the plan were recently identified through the development of an option paper by PMCD and subsequent discussions of options between PMCD and the Director and the Deputy Director of Personnel.

In designing the plan, PMCD would:

- Tailor the features to the unique mission of the Agency;
- Review the competitive position of the Agency and adjust pay levels where justified;
- Provide for improved market sensitivity, thus achieving closer parity of occupational categories to private sector salaries;
- Consider the necessity to establish multiple schedules to more properly align related classes of positions;
- Explore the possibility of a greater or fewer number of pay grades based on identified levels of responsibility;

- Examine the salary differential within ranges and between grades with a view toward incorporating longevity features and providing for enhanced dollar potential advancement;
- Consider the possibility of an increased or decreased number of steps within pay ranges and recommend appropriate changes in rate of employee advancement through the ranges;
- Retain the concept of nationwide rates for classes of positions as opposed to regional salary rates;
- Retain the requirement that components obtain prior approval of Director of Personnel for hiring above the minimum salary level and granting quality increases; and
- Index the compensation schedule(s) to the classification criteria used by PMCD.

III. DEVELOPMENT METHODOLOGY

Following is a brief outline of the necessary steps to be taken in developing, obtaining approval for, and implementing a compensation plan for the Agency. These are grouped in six phases and projected time frames for each phase are shown on the attached PERT chart.

Policy Formulation

- Catalogue available options (completed)
- Obtain policy objectives from D/Pers and DD/Pers (completed)
- Develop concept paper (completed)
- Discuss concept paper with PMAB
- Present proposal to Agency senior management for approval

Background Research

- Isolate existing compensation problems in Agency by occupational area
 - Obtain views of Career Service officials
 - Analyze critical recruitment targets (R&P)
 - Analyze attrition data (HRPS)
 - Make tentative decisions on grade relationships to be validated through survey data.
- Extract ideas from current task force reports and other Federal exempt pay plans.
 - "A Federal position classification system for 80s" (Forrer Task Force)
 - "Redesigning the General Schedule" (OPM)
 - "The Rewards of Public Service" (Hartman/Weber)
 - Pay plan of State, Comptroller of Currency, TVA, etc.
- Review available salary survey data and economic indices
 - PATC (BLS/OPM)
 - American Compensation Association survey(s)
 - American Management Association survey(s)
 - Other Commercial salary surveys
 - CPI
 - Other economic indices

Design of the Plan

- Select features to be included
 - Single versus multiple tier schedule(s) (decided)
 - Intergrade differential
 - Range spread
 - Number of steps
 - Waiting periods
 - Nationwide vs regional rates (decided)
 - Method of yearly maintenance
- Develop compensation plan
 - Salary schedule(s)
 - Method of indexing to classification system
 - Cost of implementation
 - Rules for administration
 - Implementation methodology
- Calculate implementation costs for submission to Agency management and the Comptroller

Selling the Plan to Management

- Obtain approval of EXCOM
- Conduct briefings at the Office, Directorate and/or Division (DO) levels
- Evaluate feedback and make appropriate adjustments
- Secure final approval of DCI/DDCI

Approval

- Obtain proper sanctions from Senate Select Committee and H/PSCI (OGC/OLC)
- Obtain necessary budgetary adjustments from the House and Senate Appropriations Committees (Comptroller)
- Conduct a series of briefings for managers and Personnel Officers
- Prepare and distribute an employee brochure summarizing the highlights of the new pay plan
- Brief employees on plan

Implementation

- Input grade designation changes (PMCD)
- Implement changes in automated payroll system (OF)

IV. RECOMMENDED FEATURES AGREED UPON TO DATE

The following, which are essential ingredients in any successful compensation plan for the Agency, have been previously discussed and concurred in by D/Pers and DD/Pers. Other equally important features are listed in Section V.

Relationship to Position Classification Program

First and foremost, it is essential that there be developed a means of indexing the compensation plan to our position classification program.

Although compensation plans and classification plans constitute separate programs, they are highly related and the success of one determines the effectiveness of the other. There will continue to be a need for defining clear and equitable career ladders through the position classification plan and a systematic/responsive mechanism for relating positions to grades in the new compensation plan.

Need for Increased Market Sensitivity

Secondly, the plan should be more sensitive than the GS Schedule to employment market conditions and the proper value of positions in today's society. At present we have a relatively rigid pay system and a flexible classification system which is contrary to the ideal. If a greater degree of external alignment is not factored into the new compensation plan, the position classification system will continue to receive undue pressure to provide higher salaries resulting in higher than appropriate position grade calls. Although it is difficult to prove, PMCD is convinced that many of its upgrade requests presently, while unjustified on classification grounds, reflect pressure on management to match competitive salaries in the employment market.

The GS Schedule rests more heavily on the internal alignment principle which has, as its foundation, the legislative definitions of grades GS-01 through GS-15 found in Title V (U.S. Code). These definitions govern the slotting of occupational classes into the General Schedule and, in turn, influence the manner in which survey pay data is grouped and compared with GS data. This reliance on internal alignment has had a tendency to create career ladders with comparable grade structures (i.e., GS-07 trainee to GS-12 journeyman, etc.) among occupational groups, even though widely varying salaries exist in these same occupations outside the U.S. Government. In other words, both a journeyman level Engineer and Accountant might be pegged at GS-12 despite the fact that salaries in the labor market may be more widely dispersed than the actual minimum and maximum salary levels of that grade.

Use of a Multiple Tier Pay Schedule

Third, the GS Schedule should be replaced by three new schedules -- Clerical/Technical Service (CTS), Professional/Administrative Service (PAS), and Senior Intelligence Service (SIS). The use of a single pay line in the GS Schedule force-fits pay survey data to a curve which is not reflective of the national labor market as a whole. The adoption of separate schedules would allow for fine tuning of a salary matrix in order to properly relate occupational groups to the employment market.

Since the Federal Government, in general, and the Agency employ both the WG and GS Schedules, a precedent exists for using multiple pay schedules. The rationale for treating "blue collar" and "white collar" occupations differently is clear but there is further reason to question the validity of grouping all "white collar" positions in a single schedule. The private sector has consistently opted for sharper distinctions and divided its white collar positions among two or more pay schedules according to occupational characteristics. Valid pay comparability with industry will not be achieved through continued use of a single "white collar" pay schedule.

V. ADDITIONAL FEATURES TO CONSIDER

In addition to the recommendations made in Section IV above, a number of additional design options are available and need to be carefully weighed by PMCD. Some of these are rather theoretical in nature and need to be tempered by pragmatic considerations because, in the end, the basic requirement of any pay plan is that it is fair, understandable and can be easily administered. PMCD, during or at the close of the "background research" portion of the study, will make specific recommendations on these elements to D/Pers and DD/Pers for their consideration.

- The number of grades in the pay schedule need to be tailored to the number of schedules employed and the type of occupations covered. The GS Schedule uses 15 grades. The Agency could use more or less.
- The salary (intergrade) differential between grade levels involves two considerations. The first is the difference between the minimum of one grade and the minimum of the next grade. The second is the relationship of the maximum of one grade to the next successive grade. The difference of the minimum and maximum from one grade to another can be constant or increase as grades increase.
- The range or salary spread within each grade may be constant or vary from grade to grade. Pay schedules often have a grade spread that ranges from 25-30% at the lower grades to 50% at the higher grade levels. (State has recently added a longevity feature to its FSO Schedule and expanded the range to 47%.)
- Other considerations involve the number of steps in each grade and the size of step increments. These affect the dollar advancement of employees through the range. Many experts believe that greater motivation is provided through larger step increments. These increments can be defined in a constant dollar amount or in terms of a constant or increasing percent amount.
- Proper rate of advancement for employees between salary steps within a grade should be considered. Employees under the General Schedule (GS) move from step 1 to step 10 in 18 years. Under a new pay plan, employees could advance faster or slower between a different number of steps.
- The options for determining how employees will move between salary steps within a grade include:
 - automatic increases where salaries are increased in scheduled amounts at predetermined intervals;
 - merit (quality step) increases where there is a relation of the employee job performance to his salary;
 - combination of automatic and merit increases where the withholding or early granting of an increase may be done in accordance with job proficiency, or permitting automatic increases up to a certain salary level and requiring increases beyond that point to be based on merit.

- The method for updating the pay schedule periodically is an important consideration. PMCD could conduct its own salary surveys, use available surveys, or rely on a variety of economic indices as follows:
 - the BLS Professional, Administrative, Technical and Clerical survey used for annual GS comparability increase;
 - Any of a number of commercial pay surveys published by American Management Association, American Compensation Association, etc.;
 - the index of total wages and salaries in the private sector;
 - the Consumer Price Index;
 - the Gross National Product Index; or
 - the Wholesale Price Index.
- Certain other miscellaneous features to be considered in developing a new pay plan relate to pay administration. These include how the new pay rate is fixed upon promotions, the fixing of special pay rates for positions where there are recruitment/retention problems, and the conversion of pay rates for employees moving from other schedules to the new pay schedule.

VI. SPECIAL PROBLEMS TO BE ANTICIPATED

This section is an attempt to catalogue anticipated problems from both the viewpoint of the customer and the practitioner that may arise in connection with the adoption of a unique Agency compensation program.

- Management may react adversely to anticipated changes in grade relationships, even though certain occupations will probably receive higher grades/salaries. For example, using market sensitivities, while our competitive position for scarce skill occupations like Engineers and Attorneys could be enhanced considerably, the fact that salaries for Accountants and Personnel Officers may not be increased to the same extent could antagonize career services which will have gained less than others. In order to minimize this problem, it is important to begin a dialogue with the career services' officials early on and to provide feedback to them at appropriate times.
- While the plan can be designed so that most employees receive some increase and none are immediately affected adversely, certain groups may ultimately lose salary potential. This same phenomenon can result from a classification survey and is a function of any changed system. A certain amount of anxiety can be relieved if the program is properly explained to managers and employees through a series of briefings. This would probably require training efforts on an office-by-office basis.
- The adoption of a new plan could exacerbate our current classification problems. At present, PMCD has developed classification

standards for only about 15% of Agency occupations. The lack of Agency standards has been offset to some extent because, by using the GS grade structure, PMCD has been able to use selected U.S. Government Standards.

Solutions to this problem include a stepped-up internal Agency position standards program in PMCD, or as an interim measure, a means of indexing the new compensation plan to U.S. Government Standards.

- The establishment and maintenance of a compensation plan will have an impact on personnel resources. It is estimated that the collection and analysis of pay data, effecting structural changes in grades and salaries, developing annual schedule adjustments, and making interim revisions and interpretations will require the services of at least two additional full-time compensation analysts. (At this writing, PMCD has one well qualified external candidate identified although realistically he could probably not EOD for at least six months).
- Externally, the plan will require skillful presentations to the appropriate committees of Congress. It can be expected that, despite our legitimate claim to uniqueness, somewhere along the way the rationale for a separate schedule will be questioned. The closest precedent is probably State with its FSO Schedule; however, this is administered in connection with the GS Schedule (the dual pay system creates numerous problems and should be avoided by the Agency). The most recent effort by an exempt agency to establish an individual pay schedule was accomplished successfully by the Comptroller of the Currency although, since non-appropriated funds were involved, only the concurrence of the Department of Treasury was required. Given the apparent high priority accorded the intelligence mission by the current administration, the climate would appear favorable.

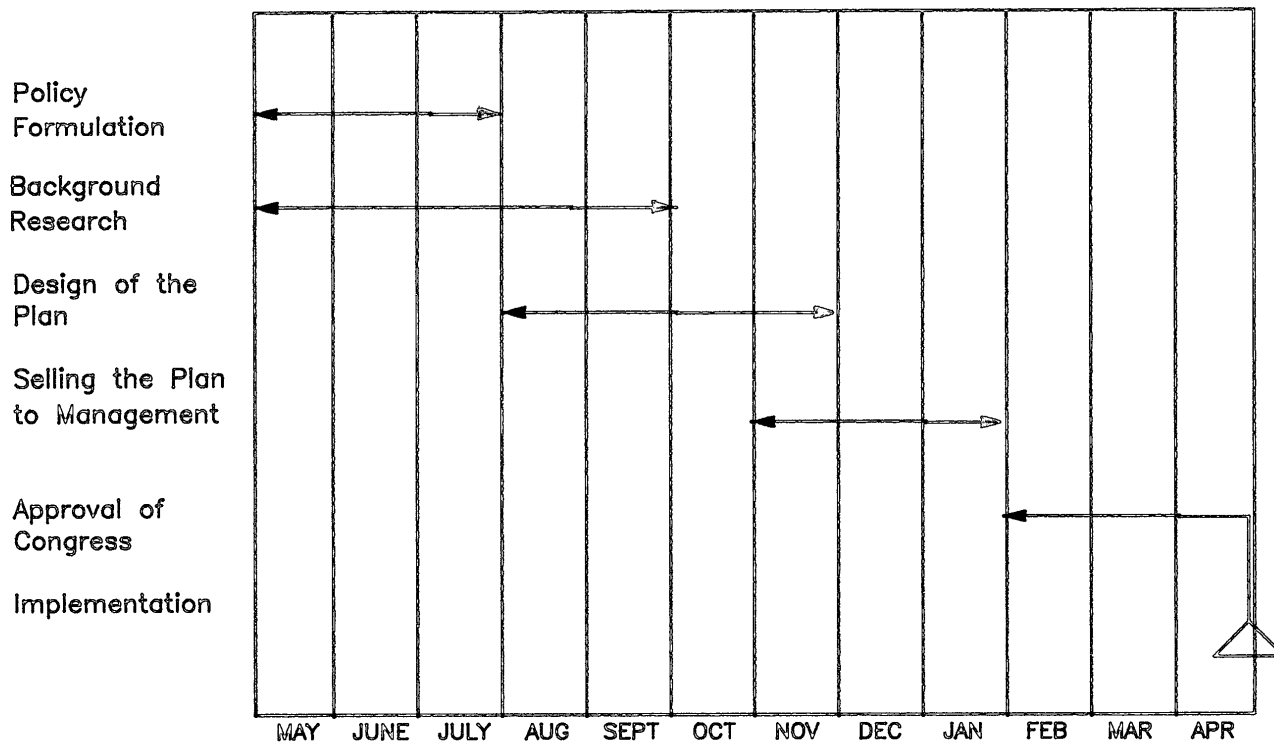
VII. UPDATING THE PLAN

Once the new compensation plan is established, annual maintenance will be required. This will involve devising a method of comparing selected occupational benchmarks against survey data or one or more indices and making necessary adjustments to schedules. If more than one pay schedule is used, each may need to be updated differently.

On-going analysis will also be required to insure that the pay plan is working as intended and any problems and anomalies that may arise will need to be corrected. Interim evaluations (between annual adjustments) will be necessary to determine that the pay plan maintains the proper relationship to the General Schedule (GS) and with salary rates in the private sector.

During the early years under the new plan, it is anticipated that numerous notices and/or memoranda will be necessary to clarify the Headquarters Regulations developed to implement the pay plan. Many questions will undoubtedly arise in the areas of determining pay rates for new employees, special pay rates, and fixing pay rates for Agency employees who are moving between pay schedules.

DEVELOPMENT AND IMPLEMENTATION OF AN AGENCY COMPENSATION PLAN *



1981-1982

* Milestones shown are rough estimates due to a number of variables beyond the control of PMCD

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23 JUN 1981

BRIEF COMMENTS ON THE HAY ASSOCIATES REPORT

1. On 19 June 1981, we were able to obtain from the Department of State a copy of Volume I of the Hay Associates report concerning the evaluation of the Department of State compensation system. Volume II and the annexes will be made available to us at a later date. While it has not been possible to conduct an in-depth study of this very technical report, a quick review reveals to us several key aspects which also pertain to this Agency, particularly as regards overseas service. The more pertinent features of the report which have equal application to the Agency include the following.

a. The unique purpose and function of the Agency which defies comparison with other U.S. elements overseas, including the Department of State.

b. The Agency personnel management environment like that of the Department of State has characteristics, objectives, and problems unlike other governmental agencies.

c. We share with the Department of State the problems associated with high mobility and rotational timetables.

d. We share with the Department of State the circumstances attendant to living and working in various overseas environments. In fact, it can be said that ours is the more difficult role because of the increasing tendency towards attempts to expose and cause harm to Agency personnel serving abroad.

[REDACTED]

25X1

e. We share with the Department of State the need to recognize special needs and unique circumstances of Agency employment overseas as opposed to service within the United States.

f. Many Agency employees serving overseas must share the same type of representational burden as do their counterparts in the Department of State.

g. As indicated in the Hay Associates report, the Agency shares with the Department of State a number of specific human source conditions required to respond to

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INTELLIGENCE SOURCES
AND METHODS INVOLVED

[REDACTED]

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the needs of our worldwide mission to include strenuous entrance requirements, the need for personnel who can adapt to overseas environments, the value of retaining specialized support personnel and the development of internal mechanisms to enhance career opportunities at all levels.

In sum, the rationale made in the Hay Associates report for increased pay for Foreign Service officers applies at least equally as well for CIA officers serving overseas. Indeed, the extra burdens that are carried by CIA officers, by virtue of their occupation, more than justify pay equal to the Foreign Service. (S)

2. The Agency recognized some time ago the stresses and degrees of personal inconvenience, family dislocation and cultural disorientation being experienced by personnel serving overseas. The need to be constantly available and immediately adapt to the foreign environment are also necessary characteristics for those who are going to serve overseas. Working overseas is clearly unlike the same pursuits in the United States, and it is for these essential reasons that we in the Agency decided it was necessary to recognize this distinction by providing a separate pay scale to compensate for the differences in service overseas versus domestic service. (S)

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ADMINISTRATIVE - INTERNAL USE ONLY
GSO

GENERAL SCHEDULE OVERSEAS (GSO)
(effective 12 July 1981)

Grade	Increment	1	2	3	4	5	6	7	8	9	10
GSO-15	1,627	48,824	50,451*	52,078*	53,705*	55,332*	56,959*	58,586*	60,213*	61,840*	63,467*
GSO-14	1,383	41,507	42,890	44,273	45,656	47,039	48,422	49,805	51,188*	52,571*	53,954*
GSO-13	1,170	35,125	36,295	37,465	38,635	39,805	40,975	42,145	43,315	44,485	45,655
GSO-12	985	29,538	30,523	31,508	32,493	33,478	34,463	35,448	36,433	37,418	38,403
GSO-11	822	24,645	25,467	26,289	27,111	27,933	28,755	29,577	30,399	31,221	32,043
GSO-10	747	22,432	23,179	23,926	24,673	25,420	26,167	26,914	27,661	28,408	29,155
GSO-09	680	20,369	21,049	21,729	22,409	23,089	23,769	24,449	25,129	25,809	26,489
GSO-08	615	18,441	19,056	19,671	20,286	20,901	21,516	22,131	22,746	23,361	23,976
GSO-07	554	16,652	17,206	17,760	18,314	18,868	19,422	19,976	20,530	21,084	21,638
GSO-06	499	14,985	15,484	15,983	16,482	16,981	17,480	17,979	18,478	18,977	19,476
GSO-05	448	13,444	13,892	14,340	14,788	15,236	15,684	16,132	16,580	17,028	17,476
GSO-04	400	12,015	12,415	12,815	13,215	13,615	14,015	14,415	14,815	15,215	15,615

*The rate of basic pay for employees at these rates is limited to \$50,112.50 by Section 5308 of Title 5 of the United States Code.

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ANALYSIS OF DIFFERENCES
(IN DOLLARS)

24 JUN 1981

1	2	3	4	5	6	7	8
GS GRADE	COMPARABLE FSO/FSS GRADE*	CURRENT GS PAY	CURRENT FS PAY	PROPOSED GSO PAY	DIFFERENCE GS Vs. FSO/FSS	DIFFERENCE GS Vs. FS	DIFFERENCE GSO Vs. FS
15/3	FSO 3/6	\$47,517	\$50,113	\$50,113	+ \$307**	- \$2,596**	0**
14/4	FSO 3/2	41,657	45,883	45,656	- 119	- 4,226	- \$ 227
13/4	FSO 4/4	35,252	39,444	38,635	0	- 4,192	- 809
12/4	FSO 5/5	29,645	32,920	32,493	+ 325	- 3,275	- 427
11/4	FSO 6/6	24,736	27,476	27,111	- 19	- 2,740	- 365
10/4	FSO 6/3	22,513	25,144	24,673	- 112	- 2,631	- 471
9/4	FSO 7/6	20,445	22,264	22,409	- 264	- 1,819	+ 145
8/4	FSO 7/2	18,509	19,781	20,286	+ 134	- 1,272	+ 505
7/4	FSO 8/4	16,711	18,761	18,314	0	- 2,050	- 447
6/4	FSS 8/4	15,040	14,993	16,482	+ 31	+ 47	+ 1,489
5/4	FSS 9/4	13,493	13,403	14,788	+ 40	+ 90	+ 1,385
4/4	FSS 10/4	12,058	13,403	13,215	0	- 1,345	- 188

*Based on GS/FSO/FSS salary schedules in effect prior to 5 October 1980.

**A plus sign in these 3 columns indicates that GS/GSO exceeds FSO/FSS/FS. A minus sign indicates FSO/FSS/FS exceeds GS/GSO.

Explanation for columns 6, 7, and 8: Column 6 provides dollar differences that existed prior to 5 October 1980; Column 7 provides the dollar differences that presently exist; Column 8 provides dollar differences that exist when comparing the proposed GSO scale with the current FS scale.

Date

ROUTING AND TRANSMITTAL SLIP

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1.		
2.		
3.		
4.		
5.		

Action	File	Note and Return
Approval	For Clearance	Per Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

REMARKS

Provided

by [Signature]

DO NOT use this form as a RECORD of approvals; concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
	Phone No.